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Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 W
----------063956 211754Z /53
R 210716Z AUG 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 2979
INFO AMEMBASSY TAIPEI
AMEMBASSY TOKYO
USMISSION GENEVA

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E.O. 11652: N/A
TAGS: ETRD, EIND, TW
SUBJ: COLOR TELEVISION CONSULTATIONS

1. SUMMARY. DURING BILATERAL TRADE NEGOTIATIONS WITH GROC, ASSISTANT SPECIAL TRADE REP LANDE RAISED PROBLEM OF SHIFTS IN COLOR TV TRADE FOLLOWING IMPLEMENTATION OF ORDERLY MARKETING AGREEMENT (OMA) WITH JAPAN. WITH RESTRICTIONS IMPOSED ON EXPORTS FROM JAPAN, RAPID INCREASES FROM TAIWAN ARE THREATENING THE EFFECTIVENESS OF THE OMA. LANDE INVITED GROC VICE MINISTER Y T WONG TO WASHINGTON IN SEPTEMBER FOR FURTHER DISCUSSION OF THE PROBLEM, INCLUDING THE POSSIBILITY OF NEGOTIATING AN OMA AS ENVISIONED IN CURRENT TPSC PAPER.

2. IN REVIEWING US DATA ON COMPLETE COLOR TV IMPORTS, US DEL POINTED OUT THAT IMPORTS FROM TAIWAN IN THE FIRST HALF OF 1978 (280,000 UNITS) WERE VIRTUALLY DOUBLE THE SAME PERIOD OF THE PREVIOUS YEAR. WHILE IMPORTS FROM JAPAN DECLINED 36.5 PERCENT. DURING THE FIRST YEAR OF OPERATION OF THE OMA, JAPAN'S SHARE
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OF TOTAL US IMPORTS DECLINED FROM 81 PERCENT IN THIRD QUARTER 1977 TO 56 PERCENT IN SECOND QUARTER 1978. MENAWHILE TAIWAN'S SHARE OF US COLOR TV IMPORTS INCREASED FROM 12 PERCENT TO 25 PERCENT OVER THE SAME PERIOD. US DEL ALSO NOTED LARGE QUANTITY OF INCOMPLETE COLOR TV SETS IMPORTED FROM TAIWAN (480,000 DURING FIRST RESTRAINT YEAR OF OMA WITH JAPAN). LANDE STATED THAT ALTHOUGH GOJ HAS NOT FORMALLY INVOKED EQUITY PROVISIONS OF OMA, IT DID INFORM US OF ITS CONCERN OVER THESE DEVELOPMENTS IN DIS-CUSSIONS HELD IN TOKYO LAST MONTH.

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3. IN RESPONSE, VICE MINISTER Y T WONG INDICATED THAT GROC WAS AWARE OF THE INCREASE IN SHIPMENTS FROM TAIWAN. HE AZWJU-BUTED THE INCREASE TO IMPROVED COMPETITIVENESS OF THE TAIWANESE INDUSTRY RATHER THAN GROC MANUFACTURERS TAKING ADVANTAGE OF OMA LIMITS ON EXPORTS FROM JAPAN. THE INDUSTRY IS EXPORTING TO OTHER MARKETS BESIDE THE US, EVEN JAPAN, AND IS SATISFYING GROWING DEMAND IN THE HOME MARKET. IN ADDITION, WONG SAID THAT TAIWAN WAS DIFFERENT THAN OTHER SUPPLIERS IN THAT MOST OF THE PRODUC-TION COMES FROM FACTORIES ESTABLISHED BY AMERICAN CAPITAL. ACCORDING TO WONG, IT WAS SIJPLY COINCIDENTAL THAT TAIWAN'S IMPROVED COMPETITIVENESS CAME AT THE SAME TIME AS QUOTE JAPAN ACCEPTED VOLUNTARY RESTRAINTS UNQUOTE. TAIWAN WOULD HAVE EX-PANDED ITS MARKET IN THE US ANYWAY, HE ASSERTED.

4. LANDE EXPLAINED THAT USG HAD PROVIDED RELIEF TO THE US COLOR TV INDUSTRY BY MEANS OF AN OMA ONLY WITH JAPAN - AND EMPHASIZED THE IMPORTANCE OF MAKING THE THREE YEAR PROGRAM EFFECTIVE. AFTER WONG'S REFERENCE TO INCREASED IMPORTS FROM CANADA, KOREA, AND MEXICO, LANDE STATED THAT WE WERE ALSO INVITING KOREA TO DISCUSSIONS IN WASHINGTON IN SEPTEMBER, THAT CANADIAN IMPORTS MAY BE THE RESULT OF AN UNFAIR TRADE PRACTICE, AND THAT MEXICO SHIPS ONLY INCOMPLETE SETS TO THE US.

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5. WONG SAID THAT IT WOULD BE VERY DIFFICULT TO CONVINCE HIS INDUSTRY THAT HE SHOULD SIGN AN AGREEMENT TO LIMIT TRADE. THE ROC INDUSTRY FEARS THAT ONCE A CEILING IS ESTABLISHED THERE WILL BE NO WAY TO GET RID OF IT. HE SAID THAT IF ROC ACCEPTS A CEILING, CANADA, KOREA, AND MEXICO SHOULD NOT BE GIVEN THE CHANCE TO INCREASE THEIR SHIPMENTS LIKE HONG KONG IS DOING IN FOOTWEAR. NEVERTHELESS, HE SAID HE WOULD TRY HIS BEST TO WORK OUT SOMETHING TO HELP SOLVE THE PROBLEM.

6. IN DISCUSSING COMPOSITION OF THE TAIWANESE INDUSTRY AND PROSPECTS FOR FURTHER GROWTH, WONG PROVIDED DATA AS FOLLOWS, SHOWING THE PROPORTION OF COLOR TV EXPORTS TO US ORIGINATING FROM AMERICAN SUBSIDIARIES (41.6 PERCENT), TAIWANESE COMPANIES (39 PERCENT), ND JAPANESE COMPANIES (19.4 PERCENT):

FIRST HALF 1978:	SETS
ADMIRAL (A)	130,511
TATUNG (C)	89,506
TAIWAN HITACHI (J)	60,776
SAMPO (C)	29,776
UNITED ELECTRONICS (C)	3,000
TAIWAN MATSUSHITA (J)	200
TOTAL:	313,769

OF THE OTHER AMERICAN SUBSIDIARIES IN TAIWAN, RCA EXPORTS ONLY INCOMPLETE COLOR TV SETS; ZENITH IS VERY LARGE BUT PRODUCES ONLY BLACK AND WHITE SETS AND HAS NO PLANS FOR COLOR SET PRODUC-TION; AND OLYMPIC IS STILL IN THE PLANNING STAGE, PERHAPS ONE

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OR TWO YEARS AWAY FROM CONSTRUCTING A FACTORY. THE LARGEST
TAIWANESE EXPORTER (TATUNG) SELLS TO SEARS UNDER THE SEARS
BRAND. ANOTHER ROC MANUFACTURER, TAIWAN KOLIN PRODUCES ONLY
MONOCHROME SETS. ALL TAIWANESE FIRMS ARE BELIEVED TO HAVE SOME
CONTRACTS LICENSENSING TECHNOLOGY FROM JAPANESE COMPANIES.

7. WONG SAID THAT TAIWAN HAS AN EXPORT SURVEILLANCE SYSTEM ON
COLOR TV WITH DATA AVAILABLE ON A WEEKLY BASIS. THE ROC POLICY
IS NOT TO ISSUE MORE LICENSES TO JAPANESE COMPANIES TO EXPORT
TO THE US, THUS PRECLUDING THE USE OF TAIWAN ON AN OMA BYPASS.
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8. TAIWAKS S JUST BEGINNING TO EXPORT TO THE EC (ROUGHLY 10,000-
20,000 SETS IN FIRST HALF 1978). THE LOCAL MARKET ABSORBED
400,000 COLOR SETS IN 1977 AND IS EXPANDING IN 1978 TO ABOUT
10,000 CONSOLE COLOR SETS ARE EXPECTED TO BE MORTED FROM
THE US, DUTIABLE AT 35 PERCENT AD VALOREM.

9. ALTHOUGH PROJECTIONS OF PRODUCTION IN THE NEXT 12 MONTHS
ARE NOT AVAILABLE, SUBSTANTIAL INCREASES IN PRODUCTION AND
CAPACITY ARE NOT FORESEEN. THE INDUSTRY IN TAIWAN IS NOT
PRODUCING AT TOP CAPACITY, DUE LARGELY TO A LABOR SHORTAGE.
ROC MAINTAINS RIGID IMMIGRATION LAW AND DOES NOT IMPORT LABOR.
THE ELECTRONICS INDUSTRY EMPLOYS 160,000 OF TAIWAN'S 6 MILLION
LABOR FORCE. IT IS NOT KNOWN HOW MANY ARE EMPLOYED IN TELEVISION
MANUFACTURE. STARTING SALARIES ARE ABOUT US $160 PER MONTH,
EXCLUDING QUARTERLY BONUSES AND VARIOUS FRING BENEFITS.
EXPERIENCED WORKERS EARN ABOUT US $300 PER MONTH. (US DEL
POINTED OUT COMPLAINTS OF AMERICAN LABOR UNIONS THAT US OWORKERS
EARN AS MUCH IN ONE WEEK AS ROC WORKERS EARN IN AMONTH.)

10. IN THE FUTURE, THE ROC INDUSTRY IS SEEN AS MANUFACTURING
MORE COMPONENTS (AS A BASE FOR SOUTHEAST ASIA PRODUCTION) RATHER
THAN EXPANDING ASSEMBLY CAPACITY. WAGE RATES ARE DOUBLING
EVERY THREE YEARS IN TAIWAN AND IT IS EXPECTED THAT ASSEMBLY
ACTIVITIES EVENTUALLY WILL BE TRANSFERRED TO NEIGHBORING
COUNTRIES (PHILLIPPINES, THA
LAND, PERHAPS SRI LANKA). TOWARD
THE END OF THIS YEAR, PHILIPS (TAIWAN) PICTURE TUBE PRODUCTION
WILL COME ON SRAM (USING CORNING GLASS).

11. COMMENT: DISCUSSIONS WERE FRANK AND CORDIAL. IT WAS
STRESSED THAT THE MAJOR PURPOSE OF THE US DEL VISIT TO TAIPEI
WAS TO LIBERALIZE TRADE RATHER THAN RESTRICT IT IN THE CONTEXT
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OF THE BILATERAL TRADE NEGOTIATIONS (SEE SEPTEL) AND THAT THEJ
DISCUSSIONS ON COLOR TV SHOULD NOT BE PERMITTED TO DETRACT FROM

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THAT OBJECTIVE. IN PRESS CONFERENCE HELD AFTERWARD, QUESTIONS
WERE RAISED ON POSSIBILITY OF OMA ON COLOR TV. JOINT REPLY WAS
THAT FURTHER DISCUSSIONS WERE TO BE HELD ON THE MATTER.
GLEYSTEEN

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